



MIKE PELLICCIOTTI  
State Treasurer

State of Washington  
Office of the Treasurer

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Darlene Clemens  
1217 E 7TH ST  
Port Angeles, WA 98362

Dear Darlene:

Thank you very much for your recent email. I appreciate you taking the time to write about ways my office can respond to our climate emergency. These issues are very important to me; addressing the long-term risks to state investments has been a priority for me since beginning my service this year as your newly elected State Treasurer. I wanted to write you personally with a thoughtful response because of the important issues you raised.

I believe we must always look at the long-term risks to our investments. **That's why in my first few months as State Treasurer, I completed an environmental, social and governance review of all state investments over which I have direct control – and I am proud to say my office does not invest in any coal, oil, or gas companies.** This action is consistent with my view that ownership of corporate debt or stock in these companies is not a prudent long-term investment for our state. I am responsible and have direct control over approximately \$36 billion of state assets. **Accordingly, none of the \$36 billion in state assets over which I have direct control are invested in coal, oil, or gas companies.** Furthermore, I plan to formalize my views through a comprehensive review of our investment policies. This will provide a clear policy for the future of my office. I am hopeful other state treasurers around the country follow Washington's national leadership on this issue.

The \$36 billion of state investments where I have direct control do not include pension investments. These are separately managed by the Washington State Investment Board. As you may know, the State Investment Board is a 10-member Board created and directed by the legislature with a fiduciary obligation to maximize returns for beneficiaries at a prudent level of risk. Unlike most other states, the Washington State Treasurer's Office is not the governmental entity legally authorized to manage or advocate for pension investments. As one of only 10 voting Board members, and due to strict Board fiduciary obligations in that role pursuant to legislative mandate, I am limited in my independent authority over State Investment Board actions or policy.

This limitation has not stopped me from doing what I can to watch out for pensioners' long-term investment interests during my early tenure as a member of that Investment Board. I have successfully advocated the Investment Board engage as a shareholder to change corporate behavior on several



existing investments. I raised concerns about corporate efforts to thwart our state's (and other states') efforts to hold coal, oil, and companies accountable for their climate-related risks. In my view, we can and must address reckless corporate governance in order to mitigate the risks that those businesses pose to our long-term investments.

The grave and immediate risk of climate change must be addressed by all companies – not just those that profit from coal, oil, and gas. This is an area I encouraged greater engagement by the Investment Board ESG team. Just this month, the policies of the Investment Board and shareholder engagement by the ESG team resulted in Washington's historic vote for "Engine #1" nominees. This vote contributed to the removal of current corporate Board leaders of ExxonMobile up for election, replacing them with climate conscious directors who support long-term investment interests. Washington voted for a reform slate of candidates to move ExxonMobile away from its focus on short-term fossil fuel profits. The important and noteworthy shareholder engagement effort in the ExxonMobile vote is one example of how in the last few months Washington is engaging much more on these climate risks.

Making Washington a leader on mitigating climate risks has been important throughout my career as a public servant. Before serving as State Treasurer, I supported legislation to respond to our climate crisis as a member of the House of Representatives. I co-sponsored bills to align Washington's greenhouse gas emissions limits with the Paris Climate Accord (HB 2225) and to reduce environmental health disparities (HB 2009). I also supported new laws that reduced greenhouse gas emissions due to hydrofluorocarbons (HB 1112), due to greater energy efficiency (HB 1257), due to appliance standard improvements (HB 1444), due to the transition of Washington energy of coal and greenhouse gases to clean energy (SB 5116), by reducing crude oil rail transport in Washington (SB 5579), and by amending greenhouse gas emission limits (HB 2311), among many other progressive climate policies.

Since my election to the legislature in 2016 – and ever since – I was one of the first and remain one of the only state elected officials to reject all corporate donations to avoid potential conflicts with my service in office. As State Treasurer, in addition to my leadership on minimizing the risks to our long-term investments, I ensure that my office provides technical policy support for current legislators in this area. For example, the Washington Strong Act (SB 5373) was proposed in 2021, which would create innovative green bond financing based on a Washington carbon tax.

There is much more work to do to protect our finances from the cost of climate inaction. I've only been State Treasurer for a few months. Please know that I am doing all I can within current legal frameworks in a thoughtful way, in each of my respective roles as Treasurer, to always protect the long-term investment interests of our state. With so many companies only thinking about short-term profits, it is critical that government as an institutional investor is leading the way to focus on our long-term interests. I think about ways to do that every day.

Thank you again for taking the time to write. I appreciate your advocacy on these critical issues.

Please let me know if I can ever be of further assistance.

Warm regards,

Mike Pellicciotti  
State Treasurer

*Darlene - Thank  
you for writing!*